

**Lincoln Township**

**Midland County**

**Annual Financial Statements  
and  
Auditors' Report**

**March 31, 2008**

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**Lincoln Township**  
**List of Elected and Appointed Officials**  
**March 31, 2008**

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Township Board

Kevin Wray	Supervisor
Mark Trinklein	Clerk
Kimberly Oswald	Treasurer
Sue Ensign	Trustee
Gary Briggs	Trustee

## **Independent Auditors' Report**

Township Board  
Lincoln Township  
Midland, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Lincoln Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln Township as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

Midland, Michigan  
September 29, 2008

**Lincoln Township**  
**Statement of Net Assets**  
**March 31, 2008**

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	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 538,543
Receivables	
Taxes	45,995
Customers	1,988
Due from other units of government	36,770
Prepaid items	32,749
Capital assets not being depreciated	80,000
Capital assets - net of accumulated depreciation	<u>312,145</u>
 Total assets	 <u>1,048,190</u>
<b>Liabilities</b>	
Accounts payable	26,231
Accrued and other liabilities	5,864
Noncurrent liabilities	
Due within one year	35,000
Due in more than one year	<u>235,000</u>
 Total liabilities	 <u>302,095</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	122,145
Unrestricted	<u>623,950</u>
 Total net assets	 <u>\$ 746,095</u>

See Accompanying Notes to Financial Statements

**Lincoln Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

		Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs	Expenses				
<b>Primary government</b>					
Governmental activities					
General government	\$ 164,602	\$ 11,274	\$ -	\$ -	\$ (153,328)
Public safety	106,251	-	-	-	(106,251)
Public works	180,521	138,188	-	-	(42,333)
Community and economic development	15,983	724	-	-	(15,259)
Recreation and culture	10,695	-	-	-	(10,695)
Interest on long-term debt	17,736	-	-	-	(17,736)
Total primary government	<u>\$ 495,788</u>	<u>\$ 150,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(345,602)</u>
General revenues					
Property taxes					246,750
State shared revenue					157,618
Unrestricted investment earnings					19,140
Miscellaneous					<u>7,715</u>
Total general revenues and transfers					<u>431,223</u>
Change in net assets					85,621
Net assets - beginning of year					<u>660,474</u>
<b>Net assets - end of year</b>					<u><b>\$ 746,095</b></u>

See Accompanying Notes to Financial Statements

**Lincoln Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2008**

		Special Revenue Funds				Total
	General	Fire Fund	Water Fund	Liquor Fund	Sanitation Fund	Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 246,679	\$ 168,633	\$ 49,139	\$ 5,162	\$ 68,930	\$ 538,543
Receivables						
Taxes	12,758	9,703	9,933	-	13,601	45,995
Other	1,988	-	-	-	-	1,988
Due from other units of government	36,770	-	-	-	-	36,770
Due from other funds	41,256	23,235	-	31,209	-	95,700
Prepaid items	14,394	1,652	16,703	-	-	32,749
<b>Total assets</b>	<b>\$ 353,845</b>	<b>\$ 203,223</b>	<b>\$ 75,775</b>	<b>\$ 36,371</b>	<b>\$ 82,531</b>	<b>\$ 751,745</b>
<b>Liabilities</b>						
Accounts payable	\$ 8,637	\$ 3,810	\$ 2,588	\$ -	\$ 11,196	\$ 26,231
Accrued and other liabilities	11,264	379	-	169	-	11,812
Due to other funds	6,464	-	89,236	-	-	95,700
Deferred revenue	12,306	-	-	-	-	12,306
<b>Total liabilities</b>	<b>38,671</b>	<b>4,189</b>	<b>91,824</b>	<b>169</b>	<b>11,196</b>	<b>146,049</b>
<b>Fund balances</b>						
General fund	315,174	-	-	-	-	315,174
Special revenue funds	-	199,034	(16,049)	36,202	71,335	290,522
<b>Total fund balances (deficit)</b>	<b>315,174</b>	<b>199,034</b>	<b>(16,049)</b>	<b>36,202</b>	<b>71,335</b>	<b>605,696</b>
<b>Total liabilities and fund balances</b>	<b>\$ 353,845</b>	<b>\$ 203,223</b>	<b>\$ 75,775</b>	<b>\$ 36,371</b>	<b>\$ 82,531</b>	<b>\$ 751,745</b>

See Accompanying Notes to Financial Statements



**Lincoln Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2008**

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<b>Total fund balances for governmental funds</b>	\$ 605,696
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	80,000
Capital assets - net of accumulated depreciation	312,145
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	12,306
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	5,948
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(270,000)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 746,095</u></u>

**Lincoln Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2008**

	Special Revenue Funds					Total
	General	Fire Fund	Water Fund	Liquor Fund	Sanitation Fund	Governmental Funds
<b>Revenues</b>						
Taxes	\$ 102,264	\$ 71,318	\$ 73,168	\$ -	\$ -	\$ 246,750
Licenses and permits	15,433	-	-	-	-	15,433
State revenue sharing	156,017	-	-	2,182	-	158,199
Charges for services	17,676	-	-	-	115,092	132,768
Interest income	12,610	6,026	247	164	93	19,140
Rental income	1,985	-	-	-	-	1,985
Other revenue	7,715	-	-	-	-	7,715
	<u>313,700</u>	<u>77,344</u>	<u>73,415</u>	<u>2,346</u>	<u>115,185</u>	<u>581,990</u>
Total revenues						
<b>Expenditures</b>						
Current						
General government	156,886	-	-	2,365	-	159,251
Public safety	23,929	72,642	-	-	-	96,571
Public works	92,683	-	43,988	-	43,850	180,521
Community and economic development	15,983	-	-	-	-	15,983
Recreation and culture	10,695	-	-	-	-	10,695
Other functions	11,136	-	-	-	-	11,136
Debt service						
Principal retirement	-	-	30,000	-	-	30,000
Interest and fiscal charges	-	-	15,476	-	-	15,476
	<u>311,312</u>	<u>72,642</u>	<u>89,464</u>	<u>2,365</u>	<u>43,850</u>	<u>519,633</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>2,388</u>	<u>4,702</u>	<u>(16,049)</u>	<u>(19)</u>	<u>71,335</u>	<u>62,357</u>

See Accompanying Notes to Financial Statements

**Lincoln Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2008**

	Special Revenue Funds					Total
	General	Fire Fund	Water Fund	Liquor Fund	Sanitation Fund	Governmental Funds
<b>Other financing sources (uses)</b>						
Transfers in	-	-	44,803	-	-	44,803
Transfers out	(44,803)	-	-	-	-	(44,803)
Total other financing sources and uses	(44,803)	-	44,803	-	-	-
Net change in fund balance	(42,415)	4,702	28,754	(19)	71,335	62,357
Fund balance (deficit) - beginning of year	357,589	194,332	(44,803)	36,221	-	543,339
<b>Fund balance (deficit) - end of year</b>	<u>\$ 315,174</u>	<u>\$ 199,034</u>	<u>\$ (16,049)</u>	<u>\$ 36,202</u>	<u>\$ 71,335</u>	<u>\$ 605,696</u>

See Accompanying Notes to Financial Statements

**Lincoln Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2008**

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**Net change in fund balances - Total governmental funds** \$ 62,357

Total change in net assets reported for governmental activities in the statement of activities  
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(26,717)
Capital outlay	22,822

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue  
in the funds.

State shared revenue	(581)
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Expenses are recorded when incurred in the statement of activities

Accrued interest	(2,260)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in  
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not  
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds  
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>30,000</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 85,621</u></b>
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**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

Lincoln Township is governed by an elected five-member Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legal separate component units of the Township. The Township has no component units.

**Government-Wide and Fund Financial Statements**

The Township's basic financial statements include both government-wide (reporting for the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first. The Township does not have any restricted net assets at year end.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For

**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for fire protection.

The Water Fund is a Special Revenue Fund that receives an extra voted millage and is used to maintain the townships water lines and pay the principal and interest on the water bonds.

The Liquor Fund is a Special Revenue Fund that receives revenue from the State of Michigan for the inspection, on behalf of the State, of local business establishments with liquor licenses.

The Sanitation Fund is a Special Revenue Fund that accounts for revenue and expenditures within the government's refuse collection operation.

considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$73,960,208, on which ad valorem taxes consisted of 1.2688 mills for operating purposes. This resulted in \$93,646 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and investments – Cash and cash equivalents are

**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	25 years
Office equipment computer equipment	3 to 5 years

Long-term obligations – Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

### **Comparative Data**

Comparative data is not included in the government's financial statements.

### **Note 2 - Stewardship, Compliance, and Accountability**

#### **Budgetary Information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

**Excess Expenditures over Appropriations**

During the year, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Expenditures	Variance
General Fund			
Supervisor	\$ 21,038	\$ 24,375	\$ 3,337
Clerk	23,737	25,624	1,887
Board of review	2,300	2,399	99
Treasurer	29,353	33,143	3,790
Assessor	23,500	24,370	870
Highways, streets and bridges	58,050	68,000	9,950
Street lighting	9,000	9,412	412
Planning	8,150	8,184	34
Water Fund			
Public works	13,857	43,988	30,131
Interest and fiscal charges	14,000	15,476	1,476

The Township has a deficit fund balance in the Water Fund. The Township plans to eliminate the deficit through future operations and tax collections.

The Township did not adopt budget for Sanitation Fund. The Township will adopt budget for this fund next year.

**Note 3 - Deposits and Investments**

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	<u>\$ 538,543</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	<u>\$ 538,543</u>

*Interest rate risk* – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

*Credit risk* – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units



**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

of government in Michigan.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 482,156 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government's investment policy, the government's investments are held by a counterparty and are not insured.

**Note 4 - Receivables and Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
State shared revenue	\$ <u>12,306</u>

**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets being depreciated				
Buildings, additions and improvements	600,000	-	-	600,000
Machinery and equipment	113,300	22,822	-	136,122
Vehicles	322,000	-	-	322,000
Total capital assets being depreciated	<u>1,035,300</u>	<u>22,822</u>	<u>-</u>	<u>1,058,122</u>
Less accumulated depreciation for				
Buildings, additions and improvements	435,000	15,000	-	450,000
Machinery and equipment	113,300	2,037	-	115,337
Vehicles	170,960	9,680	-	180,640
Total accumulated depreciation	<u>719,260</u>	<u>26,717</u>	<u>-</u>	<u>745,977</u>
Net capital assets being depreciated	<u>316,040</u>	<u>(3,895)</u>	<u>-</u>	<u>312,145</u>
Governmental activities capital assets, net	<u>\$ 396,040</u>	<u>\$ (3,895)</u>	<u>\$ -</u>	<u>\$ 392,145</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 17,037
Public safety	<u>9,680</u>
Total governmental activities	<u>\$ 26,717</u>

**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 6 - Interfund Receivables, Payable, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due from/to other funds</b>		
Fire	General	\$ 6,102
Liquor	General	362
Liquor	Water	30,847
Fire	Water	17,133
General	Water	<u>41,256</u>
		<u>\$ 95,700</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Water	\$ <u>44,803</u>

Transfers are used to reimburse the general fund for administrative costs.

**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 7 - Long-Term Debt**

The government issues bonds to provide for the installation and maintenance of water lines. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
Revenue Bonds, dated October 17, 1991	\$ 330,000	11/1/2016	4.7% - 6.88%	\$15,000 - \$25,000	\$ 225,000	\$ -	\$ 15,000	\$ 210,000	\$ 20,000
Midland County Water Supply System Bonds dated June 1, 1996	\$ 200,000	5/1/2011	5.5% - 5.75%	\$ 15,000	75,000	-	15,000	60,000	15,000
Total governmental activities					<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 270,000</u>	<u>\$ 35,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities	
	Principal	Interest
2009	\$ 35,000	\$ 17,423
2010	35,000	15,204
2011	35,000	12,976
2012	40,000	10,744
2013	25,000	8,594
2014-2017	<u>100,000</u>	<u>17,190</u>
	<u>\$ 270,000</u>	<u>\$ 82,131</u>

**Lincoln Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 8 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 - Employee Retirement and Benefit Systems**

The Township participates in a defined contribution retirement plan administered by MetLife of Connecticut. The plan covers all members of the Township Board and the Township employees. The amount of contributions is based upon amount of compensation earned. The contributions amounted to \$8,228 for the year ended March 31, 2008.

**Note 10 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Lincoln Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 101,159	\$ 101,159	\$ 102,264	\$ 1,105
Licenses and permits	18,800	18,800	15,433	(3,367)
State revenue sharing	156,500	156,500	156,017	(483)
Charges for services	22,200	22,200	17,676	(4,524)
Interest income	5,500	5,500	12,610	7,110
Rental income	2,100	2,100	1,985	(115)
Other revenue	4,732	4,732	7,715	2,983
Total revenues	<u>310,991</u>	<u>310,991</u>	<u>313,700</u>	<u>2,709</u>
<b>Expenditures</b>				
General government				
Township board	70,100	70,100	30,565	(39,535)
Supervisor	21,038	21,038	24,375	3,337
Clerk	23,737	23,737	25,624	1,887
Board of review	2,300	2,300	2,399	99
Treasurer	29,353	29,353	33,143	3,790
Assessor	23,500	23,500	24,370	870
Elections	250	1,800	1,759	(41)
Buildings and grounds	23,200	23,200	14,651	(8,549)
Total general government	<u>193,478</u>	<u>195,028</u>	<u>156,886</u>	<u>(38,142)</u>

**Lincoln Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Building inspection department	24,450	24,450	23,929	(521)
Public works				
Highways, streets and bridges	58,050	58,050	68,000	9,950
Street lighting	9,000	9,000	9,412	412
Sanitary land fill	24,850	24,850	15,271	(9,579)
Total public works	91,900	91,900	92,683	783
Community and economic development				
Planning	8,150	8,150	8,184	34
Zoning	8,150	8,150	7,799	(351)
Total community and economic development	16,300	16,300	15,983	(317)
Recreation and culture				
Library	11,000	11,000	10,695	(305)
Other functions				
Insurance and bonds	14,000	14,000	11,136	(2,864)
Transfers out	-	44,803	44,803	-
Total expenditures	351,128	397,481	356,115	(41,366)
Net change in fund balance	(40,137)	(86,490)	(42,415)	44,075
Fund balance - beginning of year	357,589	357,589	357,589	-
<b>Fund balance - end of year</b>	<b>\$ 317,452</b>	<b>\$ 271,099</b>	<b>\$ 315,174</b>	<b>\$ 44,075</b>

**Lincoln Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 72,569	\$ 72,569	\$ 71,318	\$ (1,251)
Interest income	1,200	1,200	6,026	4,826
Total revenues	73,769	73,769	77,344	3,575
<b>Expenditures</b>				
Current				
Public safety	73,769	73,769	72,642	(1,127)
Total expenditures	73,769	73,769	72,642	(1,127)
Net change in fund balance	-	-	4,702	4,702
Fund balance - beginning of year	194,332	194,332	194,332	-
<b>Fund balance - end of year</b>	<u>\$ 194,332</u>	<u>\$ 194,332</u>	<u>\$ 199,034</u>	<u>\$ 4,702</u>

**Lincoln Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Water Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 73,162	\$ 73,162	\$ 73,168	\$ 6
Interest income	250	250	247	(3)
Transfers in	44,803	44,803	44,803	-
	<u>118,215</u>	<u>118,215</u>	<u>118,218</u>	<u>3</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public works	13,857	13,857	43,988	30,131
Debt service				
Principal retirement	30,000	30,000	30,000	-
Interest and fiscal charges	14,000	14,000	15,476	1,476
	<u>57,857</u>	<u>57,857</u>	<u>89,464</u>	<u>31,607</u>
Total expenditures				
Net change in fund balance	60,358	60,358	28,754	(31,604)
Fund balance (deficit) - beginning of year	(44,803)	(44,803)	(44,803)	-
<b>Fund balance (deficit) - end of year</b>	<u>\$ 15,555</u>	<u>\$ 15,555</u>	<u>\$ (16,049)</u>	<u>\$ (31,604)</u>



**Lincoln Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Liquor Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State revenue sharing	\$ 2,327	\$ 2,327	\$ 2,182	\$ (145)
Interest income	-	-	164	164
Total revenues	2,327	2,327	2,346	19
<b>Expenditures</b>				
Current				
General government	3,100	3,100	2,365	(735)
Net change in fund balance	(773)	(773)	(19)	754
Fund balance - beginning of year	36,221	36,221	36,221	-
<b>Fund balance - end of year</b>	<b>\$ 35,448</b>	<b>\$ 35,448</b>	<b>\$ 36,202</b>	<b>\$ 754</b>

**Lincoln Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Sanitation Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 115,092	\$ 115,092
Interest income	-	-	93	93
Total revenues	-	-	115,185	115,185
<b>Expenditures</b>				
Current				
Public works	-	-	43,850	43,850
Net change in fund balance	-	-	71,335	71,335
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,335</b>	<b>\$ 71,335</b>



6018 Eastman Avenue  
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Fax (989) 631-4288

September 29, 2008

To Township Board  
Lincoln Township  
Midland County, Michigan

We have completed our audit of the financial statements of Lincoln Township as of and for the year ended March 31, 2008 and have issued our report dated September 29, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

*Yeo & Yeo, P.C.*

Midland, Michigan  
September 29, 2008



## Appendix 1

### Auditors' Communication of Significant Matters with Those Charged with Governance

#### **Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated August 12, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

#### **Significant Audit Findings**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. We are not aware of any particular sensitive estimates made by Lincoln Township.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

#### **Difficulties Encountered During the Audit**

No difficulties were encountered during the audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

## **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

## **Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

## **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

## Appendix 2 Management Comment

In planning and performing our audit of the financial statements of Lincoln Township as of and for the year ended March 31, 2008, we considered Lincoln Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date August 20, 2008, on the financial statements of Lincoln Township. Our comments and recommendations regarding those matters are:

### **CHECKS LISTING IN THE BOARD MINUTES**

During our review of township board minutes it was noted that checks are approved at each monthly board meeting, but the check numbers or the total dollar amount of approved checks is not listed in the minutes.

#### **Recommendation**

To further strengthen the controls in place we recommend that the Township lists the beginning and ending numbers of checks approved at that meeting or at minimum lists the total dollar amount of the checks and retains in the file the check listing provided to the board for approval.

### **WATER FUND DEFICIT**

The Township has a deficit fund balance of \$16,049 as of March 31, 2008. The deficit is the result of work necessary to complete a large water main extension project..

#### **Recommendation**

The Township has to contact the Michigan Department of Treasury and file a deficit elimination plan. This is required anytime a deficit has accumulated in any fund, and can result in the reduction or hold back of state shared revenue. We strongly recommend that the Township Board review the current financial condition of the water fund and make every effort eliminate this deficit in the current year.

### **SANITATION FUND BUDGET**

Original and final budget was not adopted for sanitation fund during the year.

#### **Recommendation**

Sanitation fund is a special revenue funds and all special revenue funds are required to adopt a budget in accordance with Uniform Budget Manual.